MINUTES OF THE CHURCHILL COUNTY AUDIT COMMITTEE

155 N. Taylor St., Fallon, NV 89406
December 6, 2022

Call to Order:

The regular meeting of the Audit Committee was called to order at 4:00 PM on December 6, 2022.

PRESENT:
Commissioner H. Peter Olsen, Jr.
Member Alan Kalt
Deputy District Attorney Joseph Sanford
Comptroller Sherry Wideman
Chad B. Atkinson, HintonBurdick CPAs & Advisors
Mark Feest, CC Communications
Jamie Hyde, CC Communications
Kelli Jones, Hinton Burdick CPAs & Advisors
County Manager Jim Barbee
Deputy Clerk Renae Paholke

ABSENT:
Deputy Clerk to the Board Pamela Moore

Pledge of Allegiance:

The Pledge of Allegiance was recited by the board and public.

Public Comment:

Chairman Olsen asked if there was any public comment but there was none.

Verification of the Posting of the Agenda:

It was verified by Renae Paholke, Deputy Clerk, that the Agenda for this meeting was posted on the 29th day of November, 2022, between the hours of 9:00 and 11:00 AM at all of the locations listed on the Agenda, in accordance with NRS 241.

Consideration and possible action re: Approval of Agenda as submitted or revised:

Member Alan Kalt made a motion to approve the Agenda as submitted. Member Joseph Sanford seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Approval of Minutes of the meeting held on:

A- December 14, 2021.
The Minutes of the meeting held on December 14, 2021 are presented for the committee's consideration and approval.

FISCAL IMPACT: N/A
EXPLANATION OF IMPACT:
FUNDING SOURCE: N/A
ACTION REQUESTED: Accept

Member Alan Kalt made a motion to approve the Minutes of the meeting held on December 14, 2021 as presented. Member H. Peter Olsen, Jr. seconded the motion, which carried by majority vote, with Member Sanford abstaining due to the fact he was not a member of the committee at that time.

Appointments:

A- Consideration and possible action re: Presentation of the Annual Comprehensive Financial Report for the general Churchill County and CC Communications for the Fiscal Year Ending June 30, 2022.
The Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022 will be presented to the Audit Committee. After review of the report, the Audit Committee is asked to make a recommendation to the Board of County Commissioners for acceptance and approval of the audit report.
FISCAL IMPACT: As contracted.
EXPLANATION OF IMPACT:
FUNDING SOURCE: General Fund.
ACTION REQUESTED: Accept

Kelli Jones, HintonBurdick CPAs & Advisors, said I wanted to say thank you to the county staff for helping us get through the audit. I also wanted to share in this introduction that there will be a couple of things that we will point to for the committee to read, if you haven't already, which are the Letter of Transmittal and the Management's Discussion and Analysis. These two documents are the high-level overview of what took place in Fiscal Year 2022, so we encourage you to review those documents. Let us know if you have any questions about those documents.

I also wanted to thank the county for working with us on an extension request. We had some staffing issues, especially with the implementation of GASB 87 for leases where an extension was submitted. We are essentially doing the audit in the timeframe as outlined.

Member Kalt said did the Department of Taxation approve that extension? Comptroller Sherry Wideman said I have not gotten a letter yet. I sent her a notice and she said she would get me a letter last Friday; however, I have not received it. She said it would be no problem when I explained the situation. Member Kalt said was the staffing issue with the county or with HintonBurdick? Chad B. Atkinson, HintonBurdick, said it was probably on both ends. We have had a little difficulty on our end but there are also difficulties at the county. CC Communications has had quite a bit of turnover and had some challenges getting information to us.

Chairman Olsen said we requested an extension but do we still think we are going to get the work done in the timeframe necessary. Can both of those things be true at the same time?

Comptroller Wideman said what happens is we have to have it completed by November 30th but it was not, so that is the reason for the extension. We plan on giving it to the Commission on December 21st and we are still online for that. Chairman Olsen said, so the extension is needed for the November 30th date? Comptroller Wideman said, yes. If you look at these statements, they are dated December 6th, which would be late according to the Department of Taxation. I talked to her on the phone and she said she was having problems getting her letters out but I got a verbal approval. Member Kalt said the Department of Taxation, historically, always gives one month. It is that second extension into January that is the issue. I think what Sherry is alluding to is that it can still be presented to the governing body in the month of December, so that will meet that deadline. Comptroller Wideman said this won't put us on the naughty list for the Department. That is why I called her also.

Chad Atkinson said when we got down to the deadline, we discovered some issues with the implementation of GASB 87 that caused us to pause, so we needed a few more days to address some of the issues. We were able to do that.

Kelli Jones said I am going to cover the audit reports and then some financial highlights as we complete our report. The Audit Report is found on page 15 in the Annual Comprehensive Financial Report (ACFR). We issued an opinion on the financial statements of an unmodified opinion or a "clean opinion"

Our Report on Internal Controls Over Financial Reporting and on Compliance is found on page 215. We are happy to report that there were no internal control deficiencies or noncompliance reported. The 2021-001 Budgetary Compliance was cleared in FY2022.

Kelli Jones had a PowerPoint presentation as follows:

HINTONBURDICK
CPAs & ADVISORS

Churchill County, Nevada
Fiscal Year 2022
Audit Presentation

Presented by
HintonBurdick CPAs and Advisors

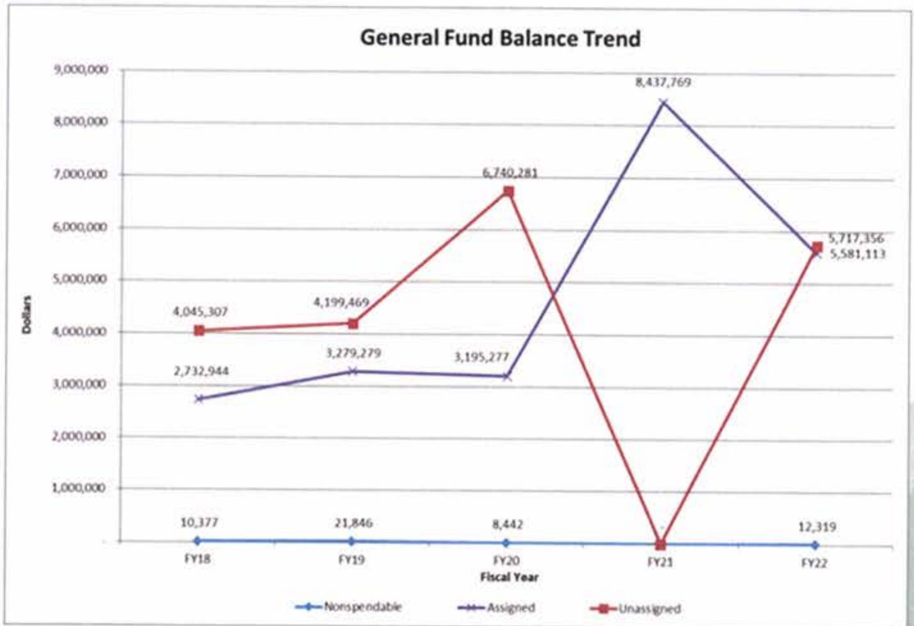
Audit Reports

- **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance – page 221**
  - No instances of noncompliance or internal control deficiencies reported
  - Low risk auditee – see page 224

Financial Highlights

- All funds operated within approved budgets
- Changes in fund balances – governmental funds - page 36
- Changes in net position – business-type funds- page 41

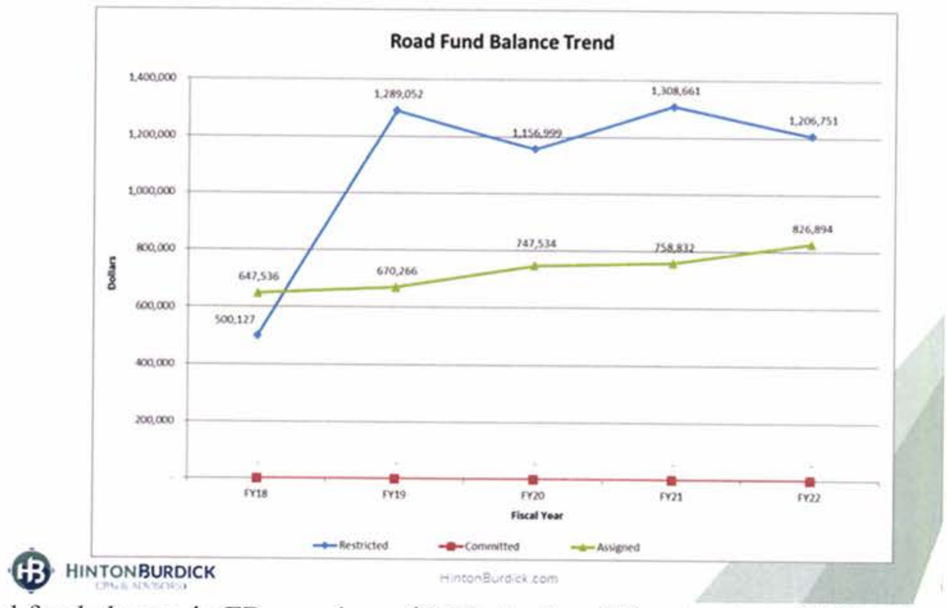
- Review of fund balance and net position
  - Assets – liabilities = fund balance or net position



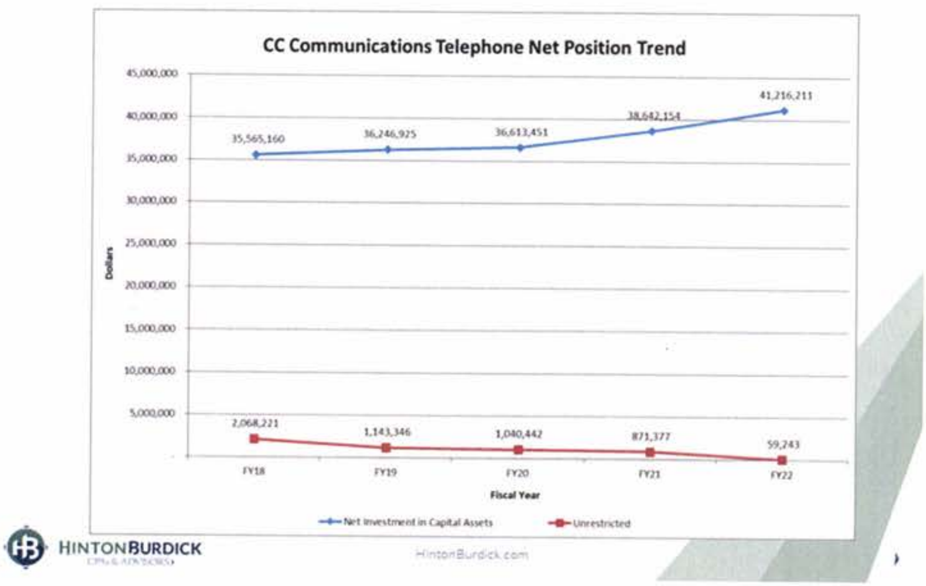
HINTONBURDICK
CPAs & ADVISORS

HintonBurdick.com

Change in Fund Balance (FB) – increase $2.9M. Unassigned – up to $5.7M – 2.1 months of operating reserves.
Assigned – fund balance for budget FY22 appropriation. Nonspendable - prepaid
General fund – stable.

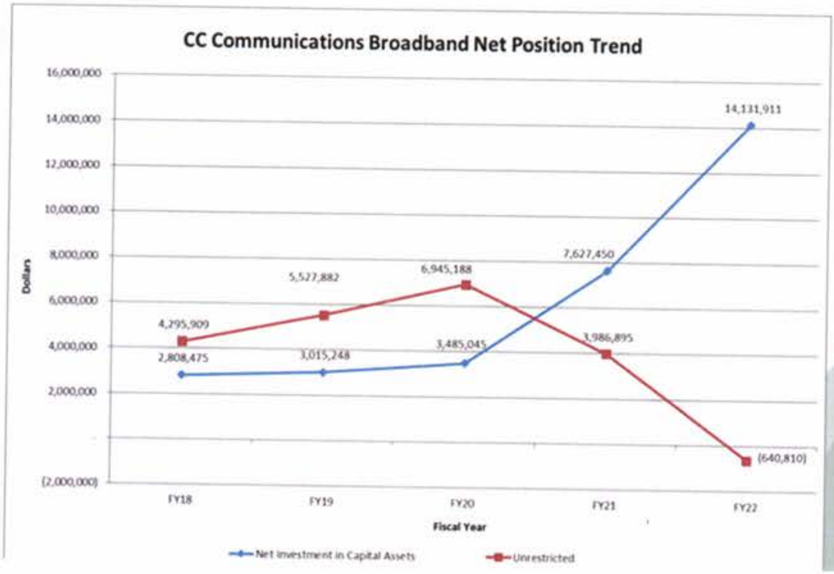


Road fund change in FB was down $34K. Assigned for streets up $68K. Committed – zero. Restricted for streets down $102K. Road fund – stable, healthy.

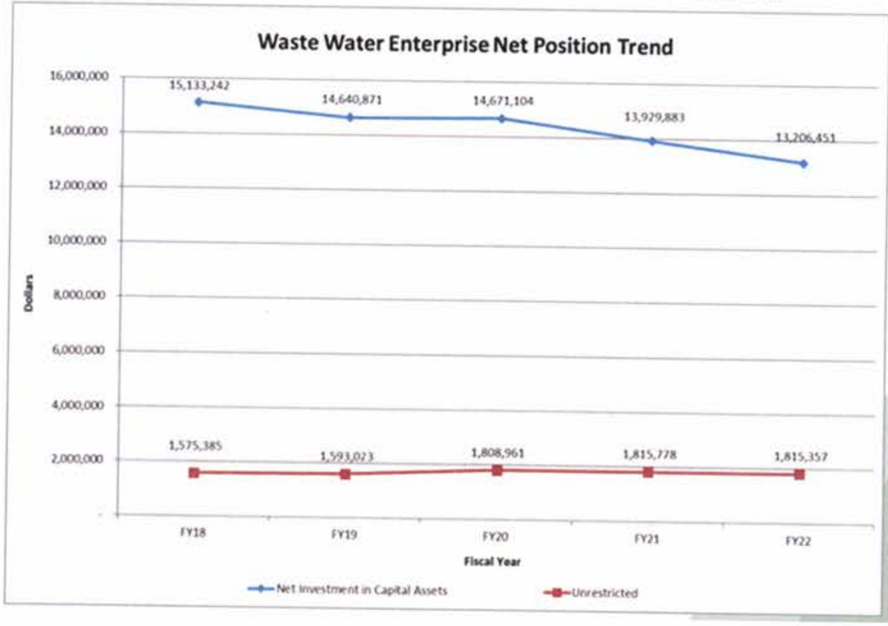


Change in NP was $1.76M. NICA – up $2.6M – significant construction progress outpacing depreciation and unspent bond proceeds. Unrestricted – down ($812K) - 0.1 months of operating reserves in unrestricted. Conclusion – need to watch decline in reserves.

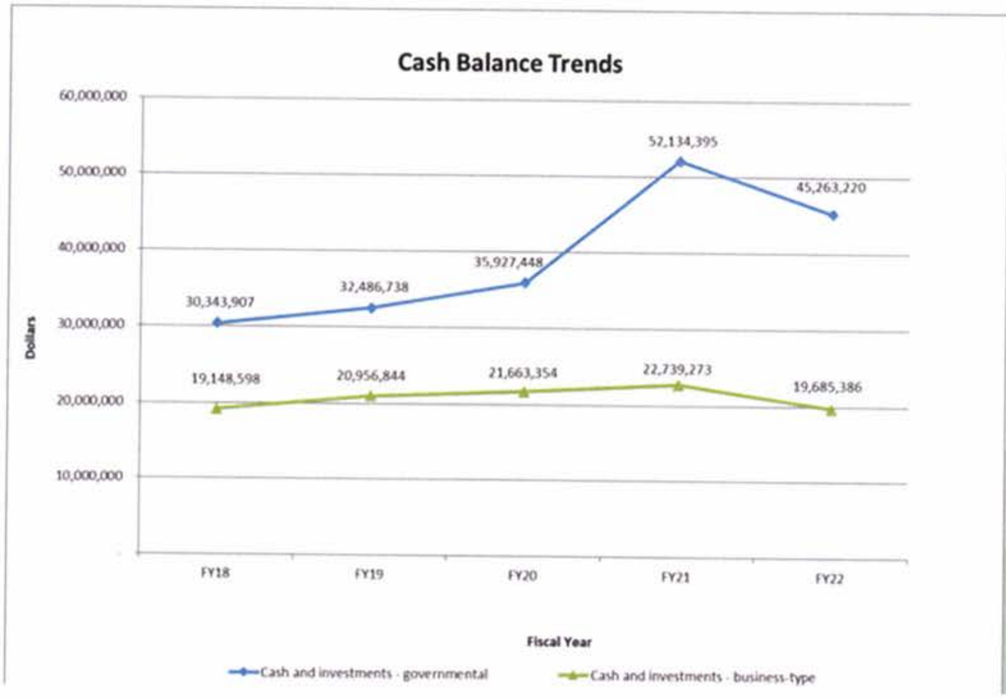
Member Kalt said are you concerned about it? The way you speak it sounds somewhat alarming. Kelli Jones said it is not a going concern issue. They are doing a lot of building and they have a lot of value; it is just that the value is tied up in those capital assets. Member Kalt said, that would be expected, right? Kelli Jones said, yes.



Change in NP – up \$1.9M. Unrestricted down (\$4.6)M million, (1.2) months of operating reserves. NICA – up \$6.5M significant construction in progress outpacing depreciation with unspent bond proceeds. Conclusion – need to watch decline in reserves.



Change in NP – down (\$724)K. NICA – down – (\$723)K in depreciation. Unrestricted down (\$421). 20.4 months of operating reserves. Conclusion – stable.



Governmental down - $6.87M. Business-type down - $3.05M.

Member Kalt said on page 106 in the General Fund it shows the Planning Department spent $9.2M this year and $4.3M last year in Capital Outlay. Comptroller Wideman said because of the Civic Center. Member Kalt said so why is that in the General Fund and not in the Capital Outlay? Comptroller Wideman said because we were going to use the COVID proceeds that we were getting so they were put there so we could do the expense matching to revenue. Member Kalt said, as the independent auditors, do you guys agree with that and did GFOA make a certificate of comment on that? It just doesn't seem technically right. I noticed that you did receive the certificate on page whatever. Chad, do you want to comment on that? Chad Atkinson said we see that quite frequently. Capital Outlay is not disallowed in the General Fund. I think it is allowable. It is unusual for it to be that high. I did a little GFOA review and I didn't see that in the checklist anywhere as an item that you would flag. I suppose you could because you guys have a Capital Projects Fund where you could put the proceeds from the grant there and also the expenditures could follow but, as long as you have them matched up in the General Fund, I probably wouldn't issue a finding on that.

Member Kalt said were there any other difficulties encountered in the audit from your perspective? Chad Atkinson said there was no comment on our end. Member Kalt said I am going to ask the staff the same question about you, so be kind. (laughing) Chad Atkinson said, on our end, I want to talk about our situation. As you know, accounting professionals are in high demand right now and there is a shortage of them. That has affected our firm a little. We have had some people leave and, when that happens, it kind of causes a domino effect with our workload and our ability to get it done. We have actually had a couple of partners leave our firm and that significantly affected our ability to get the work done timely. We have been running crazy trying to get all of our commitments taken care of, so we share a little bit in the difficulty in having to do an extension. I know that CC Communications expressed a similar frustration with turnover. Experienced people retire or leave and then you have to bring in new people and train them and to get the same results is challenging. Kelli Jones said the staff at both the county and CC Communications are all great to work with but, like Chad said, staffing has been a struggle on both ends.

Member Kalt said from Sherry and Jamie's perspective, did you have any difficulty working with the auditors? Comptroller Wideman said I thought they were great. With all of the challenges and the last minute changes, they really came through for us. Jamie Hyde, CC Communications, said I agree with everything Sherry said.

Member Kalt said I have done a lot of these, as you know, and to get an extension is not a big deal and in my current job helping other local governments, there have been more extensions requested and an extension of 6 days is not a big deal. Stuff comes up and I don't think it will come up in the GFOA comments. If you were two months late, it would show up but I don't think it is going to hurt you. As an Audit Committee member, I am not overly concerned about the extension; stuff happens. Comptroller Wideman said our philosophy is better right than quick.

Comptroller Sherry Wideman had a PowerPoint presentation as follows:

CHURCHILL COUNTY .ORG

There's no place like home!

Summary of the Annual Comprehensive Annual Financial Report

FYE 6-30-2022

Presented By Sherry Wideman, CPA
Comptroller

Churchill County Est. 1861

CC Communications
Telephone • Long Distance • Internet • Wireless

HINTON BURDICK CPAs & ADVISORS

Two-year comparison
Net Position (assets – liabilities)

	Governmental activities		Business-type activities		Combined total	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 49,254,080	$ 47,413,110	$ 17,325,987	$ 24,218,963	$ 66,580,067	$ 71,632,073
Noncurrent assets	318,062	9,008,819	8,571,377	2,389,041	8,889,439	11,397,860
Capital assets	88,382,875	77,606,351	84,072,235	72,884,267	172,455,110	150,490,618
Total assets	137,955,017	134,028,280	109,969,599	99,492,271	247,924,616	233,520,551
Deferred outflows of resources	12,249,133	4,638,328	3,475,956	1,370,984	15,725,089	6,009,312
Current liabilities	4,939,610	7,630,545	2,787,768	2,842,414	7,727,378	10,472,959
Long-term liabilities outstanding	45,256,699	53,203,953	23,437,206	17,864,645	68,693,905	71,068,598
Total liabilities	50,196,309	60,834,498	26,224,974	20,707,059	76,421,283	81,541,557
Deferred inflows of resources	15,920,021	3,279,611	6,403,350	1,747,219	22,323,371	5,026,830
Net position:						
Net investment in capital assets	66,069,870	63,363,274	77,299,353	68,205,451	143,369,223	131,568,725
Restricted	18,211,417	17,808,898	531,465	496,034	18,742,882	18,304,932
Unrestricted	(193,467)	(6,619,673)	2,986,413	9,707,492	2,792,946	3,087,819
Total net position	$ 84,087,820	$ 74,552,499	$ 80,817,231	$ 78,408,977	$ 164,905,051	$ 152,961,476

Governmental Activities ↑ **$9.5M** **Business Activity** ↑ **$2.4M**

Revenues and Expense Compared to Prior Year

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	Governmental Activities		Business-type activities		Combined total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 4,532,674	$ 4,343,417	$ 20,379,343	$ 20,760,250	$ 24,912,017	$ 25,103,667
Operating grants and contributions	8,900,106	3,089,010	-	-	8,900,106	3,089,010
Capital grants and contributions	189,424	1,123,983	428,848	195,344	618,272	1,319,327
General revenues:						
Ad valorem taxes	9,844,023	9,809,885	-	-	9,844,023	9,809,885
Consolidated taxes	8,711,296	8,285,676	-	-	8,711,296	8,285,676
Other taxes	9,600,203	8,944,372	-	-	9,600,203	8,944,372
Unrestricted investment earnings	(20,472)	57,526	25,778	40,977	5,306	98,503
Other miscellaneous revenues	3,815,576	2,789,530	557,082	4,542	4,372,658	2,794,072
Total revenues	45,572,830	38,443,399	21,391,051	21,001,113	66,963,881	59,444,512
Expenses:						
General government	9,563,101	8,250,948	-	-	9,563,101	8,250,948
Judicial	4,582,235	4,691,483	-	-	4,582,235	4,691,483
Public safety	10,205,012	10,886,650	-	-	10,205,012	10,886,650
Public works	3,266,083	4,269,334	-	-	3,266,083	4,269,334
Health	274,521	296,145	-	-	274,521	296,145
Welfare	3,828,598	2,609,912	-	-	3,828,598	2,609,912
Culture and recreation	2,432,842	2,520,055	-	-	2,432,842	2,520,055
Community support	1,991,298	1,154,359	-	-	1,991,298	1,154,359
Interest on long-term debt	588,819	449,620	-	-	588,819	449,620
Telephone	-	-	10,287,727	9,866,585	10,287,727	9,866,585
Long distance	-	-	113,256	140,336	113,256	140,336
Broadband	-	-	6,176,271	5,495,711	6,176,271	5,495,711
Waste water	-	-	1,066,557	1,077,551	1,066,557	1,077,551
Utility water	-	-	568,011	623,886	568,011	623,886
Golf course	-	-	71,820	82,539	71,820	82,539
Total expenses	36,732,509	35,128,506	18,283,642	17,286,608	55,016,151	52,415,114
Increase (Decrease) in net position before transfers and contributions	8,840,321	3,314,893	3,107,409	3,714,505	11,947,730	7,029,398
Transfers	695,000	995,000	(695,000)	(995,000)	-	-
Increase (Decrease) in net position	9,535,321	4,309,893	2,412,409	2,719,505	11,947,730	7,029,398
Net position, beginning	74,552,499	70,213,056	78,408,977	75,689,472	152,961,476	145,902,528
Prior period / restatement adjustments	-	29,550	(4,155)	-	(4,155)	29,550
Net position, ending	$ 84,087,820	$ 74,552,499	$ 80,817,231	$ 78,408,977	$ 164,905,051	$ 152,961,476

Change from FY 2021

Governmental Revenue ↑ $1.9M
Governmental Expense ↑ $.59M

Business-type Revenue ↓ -$.98M
Business-type Expense ↓ -$1.6M

Note: *The expense includes depreciation, pension, and debt principal payments*

Governmental funds revenue of $43,704,121 by source

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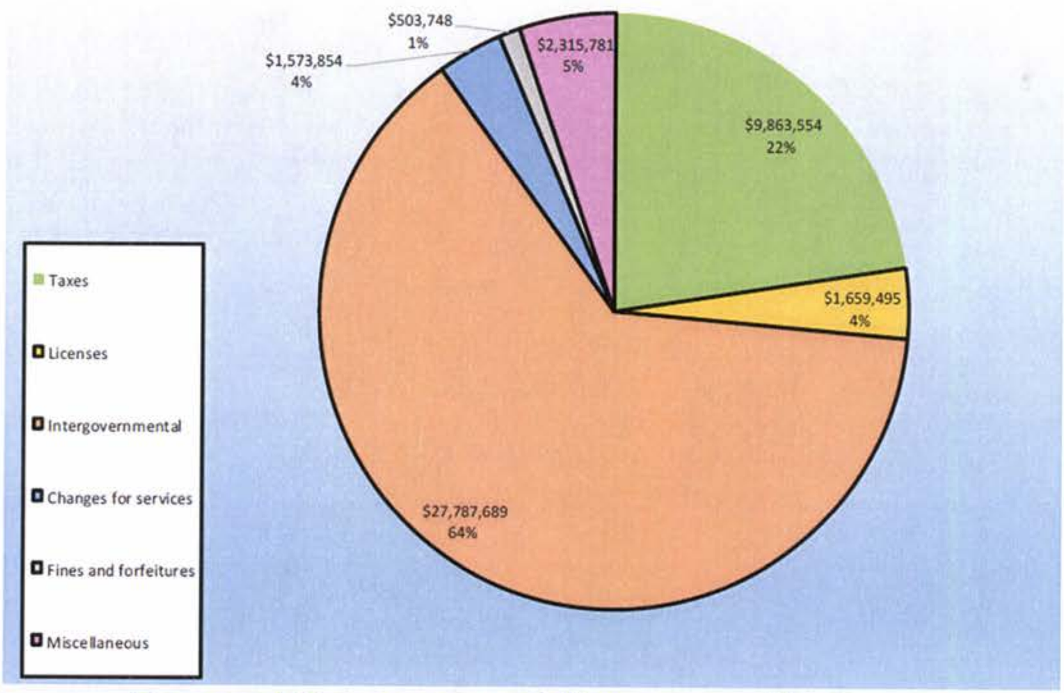
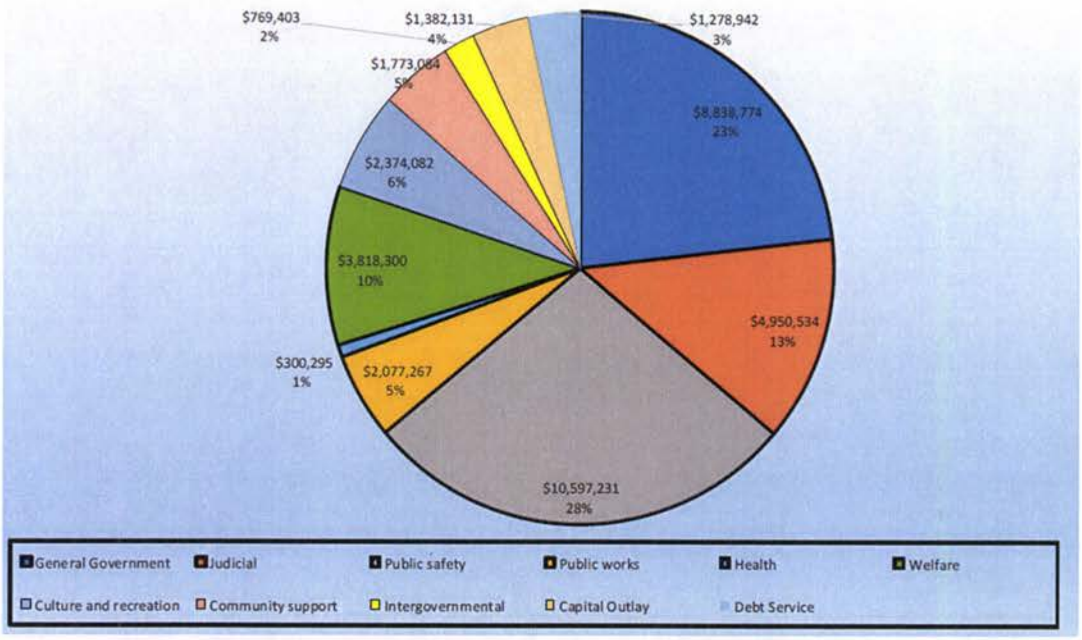


General Government Revenues By Source for the last 10 years page 192

Fiscal Year Ended June 30,	Taxes	Licenses and Permits	Intergovernmental Revenues	Charges for Services	Fines and Forfeits	Interest and Miscellaneous	Total	% Change
2013	7,941,390	468,348	15,897,241	1,199,163	548,957	1,756,493	27,811,592	-3.9%
2014	8,057,784	426,299	15,934,920	1,083,704	758,791	1,688,440	27,949,938	0.5%
2015	8,529,270	563,707	14,463,708	1,242,500	478,467	1,928,228	27,205,880	-2.7%
2016	9,087,338	793,920	13,837,411	1,272,148	539,451	2,446,582	27,976,850	2.8%
2017	8,167,353	1,022,824	14,495,790	1,280,962	549,907	3,276,448	28,793,284	2.9%
2018	8,663,383	1,290,770	16,598,844	1,327,975	533,486	1,585,135	29,999,593	4.2%
2019	9,251,305	1,559,879	17,427,798	1,422,464	590,092	2,401,615	32,653,153	8.8%
2020	9,376,255	1,639,593	19,659,848	1,278,356	453,816	2,682,900	35,090,768	7.5%
2021	9,820,415	1,709,994	21,890,790	1,447,419	535,194	2,219,330	37,623,142	7.2%
2022	9,863,554	1,659,495	27,787,689	1,573,854	503,748	2,315,781	43,704,121	16.2%

Includes: General, Special Revenue, Capital Projects and Debt Service Funds.

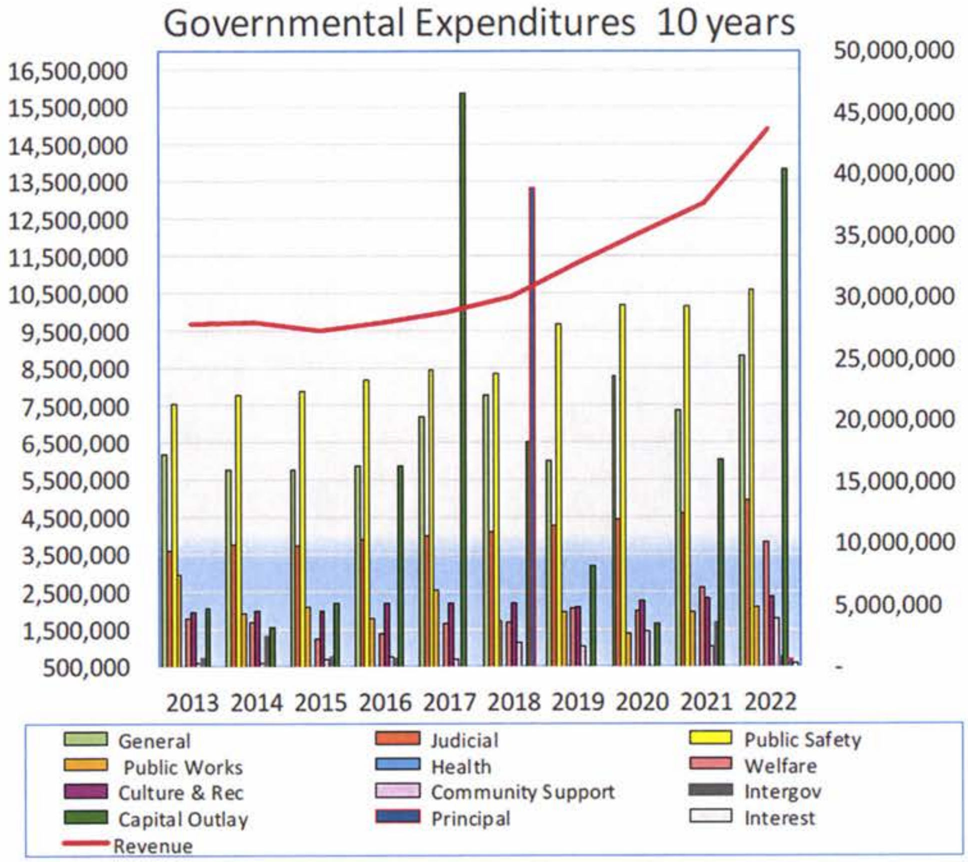
Governmental Funds Expenditure of $50,597,223 by function



Governmental Expenditures by Function

Last ten fiscal years Page 194

	General Government	Judicial	Public Safety	Public Works	Health & Sanitation	Welfare	Culture & Recreation	Community Support	Intergov-ernmental	Capital Outlay	Debt Service Principal	Interest	Totals	% Chg
2013	6,172,033	3,573,233	7,553,087	2,958,885	221,221	1,751,612	1,958,978	576,202	746,316	2,039,502	-	-	27,551,069	1.07%
2014	5,745,510	3,751,120	7,765,512	1,898,282	185,074	1,657,994	1,973,347	553,596	1,335,016	1,513,863	-	-	26,379,314	-4.25%
2015	5,782,396	3,717,272	7,846,161	2,075,870	238,713	1,229,988	1,968,570	664,805	790,694	2,155,727	-	3,032	26,473,228	0.36%
2016	5,837,818	3,913,785	8,162,516	1,768,435	249,213	1,365,054	2,157,656	760,391	749,891	5,839,879	-	-	30,804,638	16.36%
2017	7,162,468	3,985,087	8,461,439	2,528,935	251,941	1,645,667	2,169,488	665,063	479,524	15,858,022	-	17,980	43,225,614	40.32%
2018	7,750,612	4,073,982	8,382,431	1,714,917	259,386	1,645,902	2,177,199	1,112,338	392,272	6,489,000	13,305,041	294,410	47,597,490	10.11%
2019	5,995,438	4,278,793	9,703,540	1,963,445	277,435	2,011,637	2,094,855	1,027,198	384,644	3,162,768	301,465	405,339	31,606,557	-33.60%
2020	8,257,433	4,429,904	10,195,318	1,354,530	280,115	2,000,549	2,282,289	1,434,499	392,059	1,619,965	308,749	398,055	32,953,465	4.26%
2021	7,356,495	4,579,569	10,151,831	1,945,151	295,025	2,581,457	2,286,222	1,009,747	1,701,598	6,021,531	318,420	388,384	38,635,430	17.24%
2022	8,838,774	4,950,534	10,597,231	2,077,267	300,295	3,818,300	2,374,082	1,773,084	769,403	13,821,311	687,267	589,675	50,597,223	30.96%



Comptroller Wideman said I want to thank the staff and the auditors that helped make this possible and the Commissioners for approving the budget.

Member Alan Kalt made a motion to recommend acceptance of the audit report and related findings for the Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022 to the Board of County Commissioners. Member Joseph Sanford seconded the motion, which carried by unanimous vote.

Discussion by Committee regarding matters affecting the committee:

Member Kalt said hopefully next year we won't have to do an extension but stuff happens. There was no further discussion of matters.

Consider and schedule future meeting dates and future Agenda items:

Member Kalt said do we need to, with the engagement letter, have a pre-audit? Have we, because I think with GFOAs best practices, I think the Audit Committee is involved in the engagement letter thing so, if that is the case, there might need to be a meeting prior to. Comptroller Wideman said I almost think that we did have it at the last meeting. It was in the minutes and we brought it forward because I remember. It was done at the last meeting. Member Kalt said a lot of times the Audit Committee will look at the engagement letter and that way if the auditors or management have any concerns that they want the audit to focus on, then the committee would be aware of that. I don't know if we have done that in the past or not but I know it is a GASBY best practice recommendation. Comptroller Wideman said I think we signed the engagement letter for several years.

Chad Atkinson said one area that we would just bring forward right now would be GASB 96, I believe it, which is subscription based technology, which is similar to leases but pertains to technology. CC Communications and probably the county will be affected by that standard. Comptroller Wideman said is there is no maintenance contract we have with the software company? Mark Feest, CC Communications, said I think the software is the service. You are referring to the software as the service? Chad Atkinson said, yes. Mark Feest said instead of buying Microsoft and loading it on your computers, you buy Office 365 as a subscription service, which we started doing this year. Comptroller Wideman said what about the ones that we have like annual $100,000 service fees? Chad Atkinson said you want to assess what you have in your inventory for those items and then see if the standard applies so you can start applying early. Comptroller Wideman said and it starts in 2023? Chad Atkinson said that is correct. Comptroller Wideman said thank you for the heads up.

Public Comment:

Chairman Olsen asked if there was any public comment but there was none.

Adjournment:

The meeting was adjourned at 4:36 PM.

APPROVED: H 2 Scharm
Harry "Bus" Scharmann, Member

ATTEST:
Linda Rothery, Clerk/Treasurer

Pamela D Moore
Pamela D. Moore, Deputy Clerk to the Board